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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 /021 W
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FM AMEMBASSY PARIS
TO USDOC WASHDC
INFO SECSTATE WASHDC 1423
AMEMBASSY LONDON

UNCLAS PARIS 32717

DIB/CAGNE/PETER B HALE

E.O. 11652: N/A
TAGS: BEXP
SUBJECT: INVESTMENT OPPORTUNITY/AGENCY OFFER

REF: GRANT-HALE TELCON NOVEMBER 8, 1977

1. THE EMBASSY HAS BEEN APPROACHED BY MR. LEONARD KUSTOW, A RETIRED BUSINESSMAN OF BRITISH CITIZENSHIP RESIDING IN MONTE CARLO, WITH AN UNUSUAL PROPOSAL INVOLVING BOTH AN INVESTMENT OPPORTUNITY AND AGENCY OFFER. MR. KUSTOW'S PROPOSAL INVOLVES THE FRENCH FIRM MERCIER FRERES, A WELL-KNOWN PARIS FIRM SPECIALIZING IN INTERIOR DECORATING WHICH HAS EXTENSIVE DEALINGS WITH COUNTRIES IN THE MIDDLE EAST, FURNISHING HOUSES AND PALACES FOR GOVERNMENT OFFICIALS. MR. KUSTOW CLAIMS THAT THE FIRM'S PRINCIPAL, ANDRE MERCIER, HAS EXCELLENT PERSONAL CONNECTIONS AT THE DECISION-MAKING LEVEL IN ALMOST EVERY MIDDLE EASTERN COUNTRY AND COULD BE HIGHLY USEFUL TO AN AMERICAN FIRM SEEKING TO PENETRATE THESE MARKETS. (MR. KUSTOW SPECIFICALLY RULES OUT MILITARY EQUIPMENT.) THE UNUSUAL FEATURE OF THIS PROPOSAL IS THAT TO ACQUIRE THE SERVICES OF MR. MERCIER, THE AMERICAN FIRM WOULD PURCHASE MERCIER
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FRERES. ANDRE MERCIER AND HIS SON WOULD REMAIN TO DIRECT THE FIRM UNDER THE NEW OWNERSHIP. MR. KUSTOW DOES NOT WISH TO HAVE THIS PROPOSAL GENERALLY PUBLIC-IZED, BUT SEEKS FROM US THE NAMES OF COMPANIES WHICH MIGHT BE INTERESTED BASED ON USDOC'S EXPERIENCE IN WORKING WITH COMPANIES SEEKING SALES IN THE MIDDLE EAST.

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2. MERCIER FRERES (WTDR IN PREPARATION) HAS BEEN IN EXISTENCE SINCE THE LAST CENTURY. IT BECAME A CORPORATION IN 1935, CAPITALIZED AT 600,000 FRANCS. ACCORDING TO CREDIT SOURCES, IT ENGAGES IN THE IMPORT, EXPORT AND WHOLESALE OF FURNITURE AND INTERIOR DECORATIONS. ITS SALES VOLUME IN 1976 WAS 45 MILLION FRANCS. THE FIRM HAS A GOOD CREDIT RATING AND PAYMENTS RECORD. ITS BANK IS THE SOCIETE GENERAL.

3. COMMENT: THE COMMERCIAL COUNSELOR HAS MET WITH BOTH MR. KUSTOW AND MR. MERCIER. WE HAVE NO REASON TO DOUBT MR. KUSTOW'S CLAIMS REGARDING MERCIER FRERES' CONNECTIONS IN THE MIDDLE EAST AND THEIR POTENTIAL USEFULNESS TO A U.S. COMPANY SEEKING TO ENTER THESE MARKETS -- NEITHER ARE WE IN A POSITION TO CONFIRM THEM. MERCIER FRERES APPEAR TO BE A SOLID COMPANY, THOUGH PERHAPS IN NEED OF CASH. MR. KUSTOW STATES HE HAS DISCUSSED THIS PROPOSITION WITH COMMERCIAL COUNSELOR BERLIN IN LONDON AND THAT MR. BERLIN SENT A CABLE ON THE SUBJECT TO USDOC. MR. KUSTOW STATES HE IS WILLING TO FLY TO WASHINGTON TO PURSUE THIS MATTER FURTHER IF THERE ARE REASONABLE PROSPECTS THAT A DEAL COULD BE WORKED OUT. WE POINTED OUT TO MR. KUSTOW THE DIFFICULTY IN FINDING A U.S. COMPANY WILLING TO TAKE OVER A FRENCH FIRM IN AN ENTIRELY DIFFERENT PRODUCT
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LINE FOR THE SAKE OF OBTAINING ENTREE TO MIDDLE EAST OFFICIALS.

4. ACTION REQUESTED: THE EMBASSY WOULD APPRECIATE THE DEPARTMENTS REACTION TO THIS PROPOSAL AND WHETHER THE PROPOSAL MIGHT HAVE SUFFICIENT INTEREST TO WARRANT MR. KUSTOW TRAVELLING TO WASHINGTON TO MEET WITH APPROPRIATE USDOC OFFICERS. IF NOT, WE WOULD APPRECIATE ANY SUGGESTIONS YOU MAY HAVE AS TO HOW MR. KUSTOW COULD PROCEED WITH HIS IDEA.
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